

Message Text

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PAGE 01 CAIRO 05372 301234Z
ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 IGA-02 EB-08 L-03 /055 W
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 3344

S E C R E T CAIRO 5372

DEPT ALSO PASS AID

E.O. 11652: GDS
TAGS: EAID, EG, US
SUBJECT: GOE REQUEST FOR AID PARTICIPATION IN WIDENING AND
DEEPENING OF SUEZ CANAL

REF: PARA 5, CAIRO 5298

1. FAHMY ASKED AMB TO CALL TODAY. AMONG OTHER THINGS,
HE PRESENTED "MEMORANDUM" FORMALLY REQUESTING USG
PARTICIPATION IN SECOND PHASE OF WIDENING AND DEEPENDING
PROJECT FOR THE SUEZ CANAL. JAPANESE ARE DOING FIRST
PHASE. AS DEPT/AID AWARE, SCA HAS ALREADY BEEN IN
TOUCH WITH IBRD, VARIOUS ARAB DEVELOPMENT FUNDS AND
JAPANESE GOVERNMENT TO PARTICIPATE IN FINANCING SECOND
PHASE. GOE NOW REQUESTS USG PARTICIPATION IN THE
FORM OF AID FINANCING AND US CORPS OF ENGINEERS'
DREDGES. FAHMY COMMENTED REQUEST MIGHT OFFER ANOTHER
TANGIBLE ITEM WHICH COULD BE ANNOUNCED DURING UPCOMING
SADAT VISIT. TEXT OF EGYPTIAN REQUEST TRANSMITTED
BELOW:

2. QUOTE THE MODERNIZATION PLAN OF THE SUEZ CANAL
(PROJECT OF WIDENING AND DEEPENING OF THE CANAL)
THE MODERNIZATION PLAN OF THE SUEZ CANAL IS
DESIGNED TO ENABLE THE CANAL TO ACCOMMODATE SUPER-
TANKERS CARRYING OIL FROM THE GULF TO EUROPE AND THE
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UNITED STATES.

1 - THE COST OF THE PROJECT AMOUNTS TO \$600 MILLION.

2 - THE SUEZ CANAL AUTHORITY HAS CONTACTED THE
WORLD BANK, THE VARIOUS ARAB DEVELOPMENT FUNDS,
THE JAPANESE GOVERNMENT THE UNITED STATES AID INSTITUTIONS

SO THAT THEY PARTICIPATE IN FURNISHING THE NECESSARY FOREIGN EXCHANGE THROUGH EXTENDING LOANS.

3 - PRELIMINARY AGREEMENTS HAVE BEEN REACHED FOR THE PROVISION OF \$500 MILLION. THE FINANCERS, HOWEVER, PREFER POSTPONING THE SIGNING OF THE AGREEMENTS UNTIL THE REMAINING \$100 MILLION IS SECURED.

4 - THE EGYPTIAN GOVERNMENT AND THE CANAL AUTHORITY HAVE GIVEN ASSURANCES THAT THE REMAINING \$100 MILLION CAN BE PROVIDED FROM THE RESOURCES OF THE CANAL AUTHORITY. NEVERTHELESS, THE FINANCERS OF THE PROJECT PREFER TO SEEK ALTERNATIVE SOURCES OF FINANCING IN TERMS OF AID OR LOANS. ACOCORDINGLY, THE FINAL AGREEMENTS HAVE NOT YET BEEN SIGNED.

5 - ANY DELAY IN THE EXECUTION OF THE PROJECT SHALL INDUCE A LOSS OF BETWEEN \$750,000 AND \$1 MILLION PER DAY WHICH IS THE PROJECTED INCREASE IN REVENUE AS A RESULT OF THE MODERNIZATION PLAN.

6 - THE SUEZ CANAL - AT PRESENT AND MORE SO AFTER ITS MODERNIZATION - IS PRIMARILY SERVING THE WORLD ECONOMY AND SINCE THE BENEFIT EGYPT DERIVES FROM THE CANAL CONSTITUTES BY 40 PERCENT OF ALL BENEFITS IT PROVIDES FOR THE REST OF THE WORLD INCLUDING BOTH THE OIL PRODUCING AND CONSUMING NATIONS, WE VIEW THE CONTRIBUTIONS OF THE COUNTRIES OF THE WORLD TO THE PROJECT AS IN FACT SERVING THEIR OWN INTEREST.

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7 - IN THIS CONNECTION, UNITED STATES CONTRIBUTION TO THE FINANCING OF THE PROJECT IN TERMS OF UTILIZED LOANS OR AID WILL BE PARTICULARLY APPRECIATED.

8 - THE UNITED STATES ENGINEERS CORPS POSSESSES DREDGERS CAPABLE OF PARTICIPATING IN THE EXECUTION OF THE PROJECT, THEIR SERVICES CAN BE PROVIDED EITHER AS PART OF THE UNITED STATES AID PROGRAM OR AS SPECIAL AID OR ON THE BASIS OF A MINIMAL RENT CORRESPONDING TO THE COST INCURRED. UNQUOTE

3. WE ARE SUBMITTING BY SEPTTEL COMMENTS ON EGYPTIAN REQUEST.

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